



Republic Wealth Management Limited

First Citizens Bank Limited (FIRST)

30 June 2021 (Q3 2021)

Last Price	\$50.19	52 Week Range	\$41.01 to \$50.70	Market Cap	\$12,354MM
Sector	Banking	Dividend Yield TTM	0.90%	EPS (TTM)	\$2.18
PE Ratio (TTM)	20.87x	YTD Price Change	16.64%	EPS (2021E)	\$2.73
Payout Ratio	52.15%	Total Return TTM	12.19%		

FIRST's profits begin recovery

Quarterly Highlights/ Key Update

- FIRST implemented various concessions for its customers in recognition of the negative financial impact associated with the coronavirus pandemic. They included deferral of loan and mortgage instalments and reduction of interest rates for credit cards.
- In March 2021, FIRST advanced its strategy for geographic and product diversification by entering a Purchase and Sales Agreement with the Bank of Nova Scotia (Scotiabank in Guyana). However, this agreement is subject to regulatory approval and customary closing conditions in Trinidad and Tobago and in Guyana.
- FIRST also made an investment in Term Finance Holdings Limited, acquiring a 19.9% minority stake in the parent company of Term Finance, a regional microfinance leader.

Table 1: FIRST EPS, DPS and Dividend yield for fiscal year end

	2017	2018	2019	2020
Earnings per share	\$2.54	\$2.67	\$2.98	\$2.40
Dividends per share	\$1.40	\$1.60	\$1.70	\$1.37
Dividend Yield	4.36%	4.80%	4.39%	3.05%

Figure 1: FIRST's revenue from all activities by geography (TT\$'000)

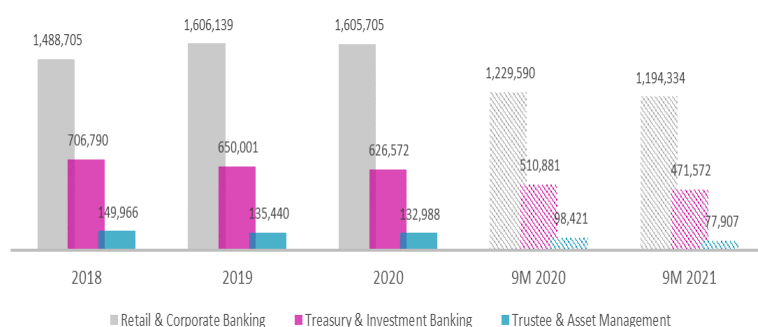


Table 2: Peer group comparables

	RFHL	FIRST	SBTT	Group Average
P/E Ratio	20.99x	20.87x	15.51x	19.12x
P/B Ratio	1.85x	1.70x	2.49x	2.01x
Dividend Yield	3.79%	0.90%	3.83%	2.84%

- Compared to its peer group (Table 2), which consists of other locally listed companies in the Banking sector, FIRST is relatively overvalued on a P/E basis and undervalued P/B basis. FIRST's dividend yield is fairly below the group average.

Performance Review/ Financials

Financial Highlights (TT\$' millions)	Annual		9 months ended	
	Sep-20	Sep-19	June-21	June-20
Net Revenue	\$2,235	\$2,276	\$1,618	\$1,710
Operating Profit	\$812	\$1,043	\$668	\$639
Profit before Tax	\$832	\$1,063	\$683	\$654
Profit after Tax	\$607	\$752	\$487	\$467
Total Assets	\$47,446	\$43,382	\$46,838	\$46,655
Total Liabilities	\$40,024	\$36,230	\$39,182	\$39,399
Total Equities	\$7,421	\$7,152	\$7,656	\$7,257
Operating Margin	36.35%	45.82%	41.29%	37.37%
Net Profit Margin	27.16%	33.03%	30.10%	27.31%
Return on Assets	1.28%	1.73%	1.04%	1.00%
Return on Equity	8.18%	10.51%	6.36%	6.44%
Efficiency Ratio	63.65%	54.18%	58.72%	62.62%

- FIRST reported total income (net of interest expense) of \$1,618MM, for the first 9 month of fiscal 2021, 5.40% lower than the comparable period of fiscal 2020. It should be noted that total net income for the quarter was 3.72% higher when compared to the relative period in 2020.
- Profit after tax for the 9-month period ended was \$487.4MM, representing a 4.47% increase when compared to the prior period ended June 2020, mainly driven by the decrease in credit impairment.
- For the 9 months ended June 2021, FIRST's total assets rose by 0.39% to \$46,838MM, as growth in cash, PPE, intangible assets and investments in JV & associates offset declines in FIRST's largest assets: investments (5.96%↓) and loans (5.57%↓). Total liabilities declined marginally, by 0.55% YoY to \$39,182MM as a 1.15% increase in customer deposits was offset by a 7.46% reduction in debt securities.

Key Risks

- FIRST's operations are concentrated in Trinidad and Tobago, thereby making it vulnerable to adverse changes in the domestic economy.
- FIRST is a subsidiary of First Citizens Holdings Limited, a wholly owned subsidiary of the Government of Trinidad and Tobago, making the Bank susceptible to political interference.
- The domestic banking sector's faces the headwinds of foreign currency difficulties and the low interest rate environment
- The bank faces the risk of its proposed purchased of Scotiabank's operations in Guyana being declined by regulators.



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Figure 2: FIRST share price vs ALL T&T Index

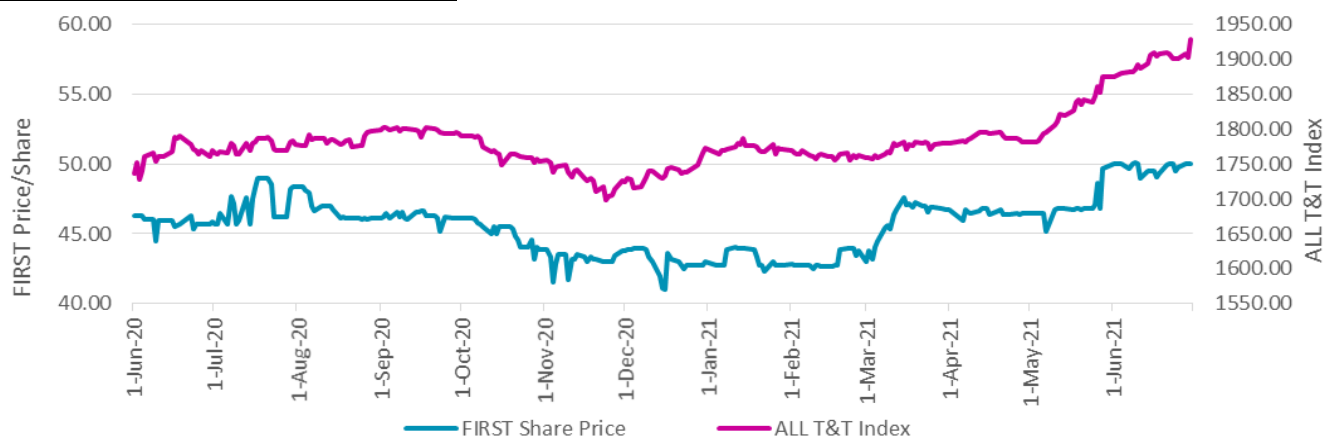


Table 3: Historic Dividend Payments (TTD)

	Payment Dates	Interim Dividends	Total Dividend per share
2017	May-17	\$0.69	\$1.40
	Dec-17	\$0.71	
2018	Feb-18	\$0.36	\$1.60
	May-18	\$0.44	
	Aug-18	\$0.32	
	Jan-19	\$0.48	
2019	Feb-19	\$0.38	\$1.70
	May-19	\$0.46	
	Aug-19	\$0.37	
	Jan-20	\$0.49	
2020	Feb-20	\$0.44	\$1.37
	Jun-20	\$0.28	
	Aug-20	\$0.20	
	Jan-21	\$0.45	
2021	Feb-21	\$0.36	\$1.01
	May-21	\$0.28	
	Aug-21	\$0.37	

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